



## Administrative Policies and Procedures: 1.5

<b>Subject:</b>	<b>Internal Audit</b>
<b>Authority:</b>	TCA 37-5-105, 37-5-106, 4-3-304, Standards for the Professional Practice of Internal Auditing (IIA), GAO (Government Auditing Standards – “Yellow Book”), American Correctional Association Standards
<b>Standards:</b>	<b>ACA:</b> 3-JTS-1A-23, ACA 3-JTS-1B-12; <b>DCS Practice Standards:</b> 8-306; Internal Audit Procedural Manual
<b>Application:</b>	To All Department of Children's Services Employees

### Policy Statement:

All Department of Children's Services activities are subject to audit. In order to carry out its responsibilities, the Division of Internal Audit shall have full access to, and necessary use of, all records, properties, and personnel relevant to any subject under review. The Division of Internal Audit shall audit the Department of Children's Services programs, contracts with vendors, and fiscal operations for adequate internal controls and compliance with state laws, federal regulations, and the department's policies and procedures. The Division of Internal Audit shall report to the Inspector General and the Commissioner on areas of non-compliance and inadequate internal controls so that the operations of the Department can continually be improved.

### Purpose:

The Department of Children's Services, Division of Internal Audit is an independent evaluation function for all divisions and units of the Department. It assists Department of Children's Services management in the effective execution of its responsibilities by furnishing them with analysis, recommendations and comments concerning the activities reviewed. The Division of Internal Audit provides **reviews** to assure that the Department's plans are carried out, policies and procedures are observed, assets are accounted for, and records and reports are reliable.

### Procedures:

<b>A. Responsibility of Director of Internal Audit</b>	<ol style="list-style-type: none"><li>1. The Director of Internal Audit shall submit a list of audit dates to the Commissioner and Deputy Commissioners by June 1 for the following state fiscal year. This schedule may be adjusted by the beginning of the fiscal year (July 1).</li><li>2. The Director is the contact person with all external auditors to assist in coordinating the audit effort.</li></ol>
<b>B. Audit team</b>	<ol style="list-style-type: none"><li>1. The audit/review teams will consist of trained staff members in accordance with Department of Human Resources auditor class specifications.</li><li>2. No team member should have a known conflict of interest with the auditee. Any staff member who will be a member of the audit/review team for any</li></ol>

	<p>audit must notify his/her supervisor/manager as soon as possible if a conflict occurs in the scheduled dates. The supervisor/manager will locate a replacement as soon as possible.</p> <p>3. All auditors must obtain continuing professional education (CPE) (40 hrs annually) to maintain professional proficiency as required by <u>Government Auditing Standards – “Yellow Book”</u>. A record of this continuous training will be maintained in the Division of Internal Audit.</p> <p>4. Procedures performed when conducting an audit are included in the Internal Audit Procedural Manual.</p>
<b>C. Audit programs/instruments</b>	<p>1. The Division of Internal Audit, in accordance with the <u>International Standards for the Professional Practice of Internal Auditing (IIA)</u>, develops an audit plan based on an annual risk assessment, and includes the input from the Inspector General, the Commissioner, Deputy Commissioner(s), and our external auditors on possible risks and their likelihood or importance. Annual audit programs are developed from the results of the assessment.</p> <p>2. Audit programs/reviews will be developed or reviewed by the Director of Internal Audit and, the Inspector General. The Inspector General will present it to the Commissioner.</p> <p>3. Audit techniques will be developed according to guidelines provided by the Division of Internal Audit and must include but are not limited to:</p> <ul style="list-style-type: none"> <li>a) Objective criteria for measuring compliance; <ul style="list-style-type: none"> <li>◆ For audits, measuring compliance or non-compliance issues will be calculated with the error rate determined based on the sample size and the number of non-compliance instances;</li> </ul> </li> <li>b) Conducting audits to ensure compliance for the appropriate or applicable areas of American Correctional Association or Council on Accreditation standards, departmental policies, or other authorities (i.e., Department of Human Resources, Tennessee Correctional Association, Federal Regulations, or Finance &amp; Administration Guidelines).</li> </ul>
<b>D. Audit/reviews reports &amp; follow up audits/reviews</b>	<p>1. The Division of Internal Audit will ensure that all comments and data are compiled and a cover report is completed as soon as possible.</p> <p>2. Any delays resulting from the inability of audit staff to obtain necessary information from field facilities or central office personnel for the completion of the report will be reported to the Director of Internal Audit as soon as the problem is recognized. The Director will advise the Inspector General of the circumstances resulting in the delay.</p> <p>3. A written report shall be issued to the supervisor of the inspected facility/program/region, the Commissioner, the appropriate Deputy Commissioner, and the Inspector General, with copies to other Directors as appropriate, at the conclusion of each audit assignment.</p>

	<p>4. Within thirty (30) days of receipt of the report, the supervisor of the unit being audited is required to submit a written response on any issues raised or recommendations made in the audit report to the Director of Internal Audit.</p> <p>5. After review of the report and response, the Director of Internal Audit will send the final report and response to the Commissioner, appropriate Deputy Commissioner, the Inspector General, and the facility/program/region supervisor. A copy of the report and response will be filed in the Division of Internal Audit.</p> <p>6. The Commissioner may request a follow-up audit/review to be conducted at any facility/program/region if the annual audit/review revealed serious or numerous areas of concern.</p>
<b>E. Investigations</b>	<p>1. An investigation may be requested by any Executive Director in written form for any situation that is brought to their attention through their staff or other means.</p> <p>2. This request must be submitted to the Inspector General and the Director of Internal Audit for review and must contain all pertinent information to date.</p> <p>3. If after the initial review the Director of Internal Audit determines that an investigation appears to be warranted, the Inspector General will be informed of the situation and the course of action planned to be taken by the Division of Internal Audit. The Inspector General will convey the information to the Commissioner.</p>

<b>Forms:</b>	<b>None</b>
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<b>Collateral documents:</b>	<b>None</b>
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<b>Glossary:</b>	
<b>Term</b>	<b>Definition</b>
<b>Compliance Audit:</b>	The assessment of both financial and operating controls and transactions to see how well they conform with established laws, standards, regulations, and procedures.
<b>Fiscal/Financial Audit:</b>	Provides an independent assessment of and reasonable assurance about whether an entity's reported financial condition, results, and use of resources are presented fairly in accordance with recognized criteria.

<b>Glossary:</b>	
<b>Term</b>	<b>Definition</b>
<b>Programmatic Audit:</b>	The assessment of entire programs; to determine whether desired benefits are achieved by any program.
<b>Review:</b>	An examination (less exhaustive than an audit) that provides some assurance to interested parties as to the reliability of financial data or compliance with policies / procedures.